

EMPLOYEE BULLETIN

RETIREMENT BENEFITS

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25X1 1. The Director of Central Intelligence has recently approved Headquarters Regulation CIA Retirement and Disability System, which establishes the special retirement system authorized by Public Law 88-643, the Central Intelligence Agency Retirement Act of 1964 for Certain Employees. Two retirement systems are now available which permit the granting of somewhat different retirement benefits to Career employees of the Agency depending upon the nature and conditions of their career duties and responsibilities. The attached chart describes and compares the principal provisions of the Civil Service Retirement System with those of the CIA Retirement and Disability System.

2. The CIA Retirement and Disability System not only provides substantially all of the benefits of the Civil Service Retirement System, but in addition offers distinct advantages. Important examples of these advantages are the following:

a. Voluntary Early Retirement: A participant in the system may, with the consent of the Director, retire upon reaching age 50 if he has at least 20 years of Federal service including at least 10 years of Agency service which includes at least 5 years of qualifying service.

b. No Reduction in Annuity for Retirement Before Age 60: Under the Civil Service Retirement System, all retirements below age 60, except disability retirement, require a reduction in annuity. The reduction is 1% of annuity for each year the retiree is under age 60 to age 55, and 2% of annuity for each year he is under age 55. There is no reduction in annuity under the CIA Retirement System for retirement before age 60.

c. More Liberal Annuity Computation Formula: Under both the CIA and the Civil Service Retirement Systems, an annuity is based on the individual's "high-5 salary", that is, his average salary for his highest paid five consecutive years of service. However, under the Civil Service Retirement System, the annuity is computed at 1.5% of high-5 for the first five years of service, 1.75% of high-5 for the second five years, and 2% of high-5 for all remaining years of service. Under the CIA Retirement System, the annuity is computed at 2% of high-5 for all years of service.

*Could be
confusing.
Not really
needed.*

{ In most cases, the difference in annuity is 3.75% of the high-5 salary--
the difference in the computation rates for the first 10 years of service.

3. Heretofore, career employees of the Agency have been covered by the Civil Service Retirement System. The benefits of this system are appropriate for those individuals whose conditions and terms of service are comparable to those of Federal employees generally. However, the Agency has long been convinced that the Civil Service Retirement System does not provide adequate benefits to those employees who undertake special obligations of service and who for various reasons may not serve full-term careers in the Agency. The CIA Retirement Act describes this group of employees as those whose "duties are in support of Agency activities abroad hazardous to life or health, or so specialized because of security requirements as to be clearly distinguishable from normal government employment." Eligibility to participate in this retirement system is not determined by employment category or Career Service designation. Rather, it is determined on the basis of the individual's actual and prospective use by the Agency on a career basis.

4. The CIA Retirement Act is unique in that it gives the Director the authority to retire participants in the CIA Retirement System involuntarily.

In order to place this authority in proper perspective, it should be recalled that section 102(c) of the National Security Act of 1947 grants the Director authority in his sole discretion to terminate the employment of any Agency employee whenever he determines such action to be in the best interest of the United States. An employee whose service is so terminated, if the termination is not for cause, becomes eligible for an immediate but reduced annuity under the Civil Service Retirement System if he has completed 25 or more years of service or if he has attained age 50 and has completed 20 years of service. Not inconsistent therewith, the CIA Retirement Act authorizes the Director to retire a participant involuntarily if the participant has completed 25 years of service or has attained age 50 and has completed 20 years of service and has, in either case, at least 10 years of Agency service including at least 5 years of qualifying service. The significant difference in the "discontinued service" benefits under the two Retirement systems is that involuntary retirement under the CIA Retirement System does not require an age reduction in annuity.

5. It is important that there be no misunderstanding on the part of Agency employees relative to the intended use of this involuntary retirement authority. The Agency exerted much effort for the passage of early retirement legislation on the basis that it could not provide for or expect from all of its employees who are engaged in foreign intelligence activities a full-term working career of 30 years or more. The Agency argued that the employees in this group were entitled to retire at an earlier age without the age reduction in annuity which is required under the Civil Service Retirement System. Extensive use of the involuntary retirement authority is not contemplated, but it should not be inferred that it will never be used. Indeed, if unmanageable personnel imbalances should develop, it may be necessary to effect the involuntary retirement of individual employees. However, it is intended that the

involuntary retirement authority be invoked only when all other appropriate administrative actions have been considered with due regard to the interests of the individual and of the Agency.

6. A number of questions have been asked by employees regarding various matters relating to the installation of the CIA Retirement and Disability System. Some of these cannot be answered yet, particularly those which require a precise definition of "qualifying service". The following paragraphs cover some of the most frequent questions.

a. When will I be considered for designation as a Participant? Must I apply? You do not need to apply for designation. All career employees now on duty in the Agency who have completed three or more years of service in the Agency and who are at least 25 years old will be considered. Because of the number of employees involved, this process will probably take many months to complete. The reviews will be phased so that those employees will be considered first who may now, or soon hereafter, be eligible for retirement. Successively lower age groups will then be reviewed. You will be formally notified when action has been taken in your case.

b. Who determines whether or not I am eligible to be a participant?
Do I have a right to appeal? The Director has delegated to the Director of Personnel the authority to designate participants in the CIA Retirement and Disability System. The Head of your Career Service will recommend your designation or non-designation based on your past and prospective service. His recommendation will be reviewed by the CIA Retirement Board which recommends action to the Director of Personnel. In some cases the Board may invite employees to review their cases with the Board before making a recommendation. When you are notified by the Director of Personnel of his

determination in your case, you have the right to appeal this determination to the Director of Central Intelligence. Determinations by the Director are final and conclusive.

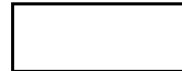
c. What is the CIA Retirement Board? Who are the members? The CIA Retirement Board is comprised of senior Agency officials nominated by the Deputy Directors and appointed by the Director to assist and advise the Director of Personnel in the administration of the CIA Retirement and Disability System. Representation on the Board by Directorate is in proportion to the probable number of participants each Directorate will have in the System. The Director of Personnel has been appointed Chairman of the Board on a temporary basis during the initiation of the retirement system. Members from each Directorate are:

Plans Directorate



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Intelligence Directorate



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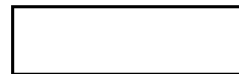
Science and Technology Directorate



Alternate

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Support Directorate



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A CIA Retirement Staff has been established in the Office of Personnel to provide staff and secretariate support in the administration of the CIA Retirement System.

d. Will the new CIA Retirement Board take over the functions of the Agency Retirement Board? At least initially, no. The Agency Retirement Board will continue to consider requests for extensions of employment under the Civil Service Retirement System.

e. Will employees who have already signed the Application for Membership in the Career Staff be required to sign a new service agreement to qualify as participants in the CIA Retirement System? One of the requirements is that an employee have signed a written obligation to serve the Agency in accordance with the Agency's needs. A new Service Agreement, Form 3101, has been developed for this purpose. However, a previously signed Career Staff form may be used in lieu of the new form. Form 3101 will be provided to nominees by their respective Career Service when the Career Service determines that a current obligation of service statement is required.

f. I am already eligible for optional retirement under the Civil Service Retirement System but believe that I am qualified to participate in the CIA Retirement System. Would my eligibility for Civil Service Retirement keep me out of the CIA System? No, not if you are determined to be fully qualified for designation as a participant. However, there are a few cases in which a Civil Service annuity would be larger than a CIA annuity because the maximum annuity is higher under Civil Service (80% rather than 70%). Generally, the higher maximum annuity makes the Civil Service Retirement System more favorable to the employee who has 36 years 10 months or more of service. The CIA Retirement Staff will pay close attention to this factor in processing cases and will advise you if you would receive a larger annuity under Civil Service even though you have been found qualified for the CIA Retirement System.

g. If I am designated a participant in the CIA Retirement System and decide that I want to be returned to the Civil Service Retirement System, may I transfer? Generally, no. However, the CIA Retirement

Act provides that a participant who has completed 15 years of service in the Agency has the option of electing at that time whether or not to remain a participant in the System for the remainder of his Agency employment. This choice must be made at the completion of the fifteenth year of service or, in the case of employees who have already completed 15 years of service when they are found to be eligible as participants, at the time they are notified of this determination. This election cannot be changed after the employee has made his choice. However, as a matter of policy, the CIA Retirement Board has agreed that a participant may, not later than one year prior to his retirement, apply to be removed from the System and transferred to the Civil Service Retirement System if his annuity would be larger under the Civil Service Retirement System. (An employee must have been under the Civil Service Retirement System for at least one year during the two years immediately preceding retirement under that System.)

h. I have already completed 15 years of service and have performed three years of qualifying service. Will I be designated a participant now and have the right to elect to remain or not to remain a participant?

No. The reason is that if you already have 15 or more years of Agency service, even if you meet all of the other requirements for designation, you must also have at least five years of qualifying service to be designated a participant. Similarly, if you did not already have 15 years of service, there would have to be sufficient time remaining before you completed 15 years for you to perform 5 years of qualifying service. For example, if you had 13 years of Agency service and 3 years of qualifying service, you could be designated because there would be

2 years in which you could perform qualifying service and meet the 5 year requirement. However, if you had 13 years of service and only 2 years of qualifying service, you could not be designated because you could not obtain 3 more years of qualifying service in the 2 years remaining before you completed 15 years of Agency service. However, once you have been designated a participant and you have 15 or more years of Agency service, you acquire the right to elect to remain or not to remain a participant.

1. What is "qualifying service"? As indicated above, a complete answer cannot be given to this question yet. Generally, all service outside of the continental United States is considered qualifying service. However, the specific types of service in the continental United States which may be qualifying have not been precisely defined. This is a major task facing the CIA Retirement Board. In the interest of handling as many cases as possible as early as possible, the Board has requested that cases involving non-overseas qualifying service be deferred for consideration. The Board's determinations in individual cases involving non-overseas qualifying service will in time establish standards for future application.

j. Where can I get additional information about the CIA Retirement System? It is suggested that you consult your Personnel Officer or your Career Service representative first. Depending on the nature of your question, you may want to discuss it with your Directorate's representative on the CIA Retirement Board.

Attachment: Comparison of Principal Provisions of the Civil Service and CIA Retirement Systems